

EX 1772-88

Central Intelligence Agency  
Washington, D.C. 20505

EA/ Executive Director

28 April 1988

NOTE FOR: Executive Director, PFIAB Staff

SUBJECT: DDCI Address to SASA

*Doug*

Per your request. (This was originally

TS Codeword, but we had it downgraded to

STAT S NOFORN.)

Attachment

ER

EA/EXDIR

8 April 1988

Bob:

Here is the speech on "The Intelligence Environment of the 1990's" that our speechwriters developed for you.

25X1 In preparing the text, they spoke to [ ] and [ ] and gathered information from the regional offices of the Directorate of Intelligence. 25X1

You are scheduled to present this speech to the Security Affairs Support Association on 16 April at 0905 hours in the Headquarters auditorium.

Bill Baker

Attachment:  
As Stated

25X1 DCI/PAO/WMB, [ ]

## Distribution:

Orig. - DDCI

1 - D/PAO *els*

1 - PAO Registry

1 - ER

1 - PAO Ames

1 - [ ] Chrono

1 - OCA Registry/Edith

UNCLASSIFIED WHEN SEPARATED FROM ATTACHMENTS

DCI  
EXEC  
REG~~TOP SECRET~~

B-802-1r

CENTRAL INTELLIGENCE AGENCY

OFFICE OF THE DEPUTY DIRECTOR

28 April 88

STAT NOTE TO:

[Redacted]

Public Affairs Office  
1016 Ames Bldg.

Mary Evelyn,

As we discussed yesterday, attached is a copy of Mr. Gates' SASA speech on 16 April which should replace the Top Secret one sent to you last week. We have found that the speech need only be classified Secret Noform.

Thanks!

STAT

[Redacted]

SECURITY AFFAIRS SUPPORT ASSOCIATION  
THE INTELLIGENCE ENVIRONMENT OF THE 1990'S

ROBERT M. GATES  
DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE  
16 APRIL 1988

I WANT TO WELCOME ALL OF YOU WHO HAVE COME OUT ON THIS SATURDAY MORNING TO CONSIDER INTELLIGENCE ARCHITECTURES OF THE FUTURE, TO DISCUSS SHORTFALLS, AND TO PROJECT JUST WHAT WE WILL BE SEEING IN INTELLIGENCE IN THE NEXT DECADE.

JUST AS WE "SCOUT THE FUTURE" TO IDENTIFY TOMORROW'S INTELLIGENCE OPPORTUNITIES, WE MUST CONSIDER HOW OUR OWN LIVES WILL BE AFFECTED BY A CHANGING INTELLIGENCE ENVIRONMENT. WE CAN ACCEPT AS A GIVEN THAT TECHNOLOGY WILL PROFOUNDLY AFFECT HOW WE COLLECT AND ANALYZE INTELLIGENCE, THE AMOUNT OF DATA AVAILABLE TO US, AND THE TOPICS AND TARGETS WE WILL BE ABLE TO EXPLOIT. OUR INTELLIGENCE SUCCESSES IN THE COMING YEARS WILL BE DIRECTLY RELATED TO OUR ABILITY TO MAKE EFFECTIVE USE OF THE TOOLS OF INFORMATION PROCESSING TECHNOLOGY.

CONTINUING ISSUES

I'D LIKE TO DISCUSS BRIEFLY THE INTELLIGENCE ISSUES -- EXISTING AND NEW -- THAT WILL DOMINATE OUR WORK THROUGH THE 90'S.

## TERRORISM

TERRORISM PROVIDES A READY EXAMPLE OF TODAY'S SUCCESSES OFTEN LEADING TO TOMORROW'S PROBLEMS. SINCE WE HAVE FOCUSED ON THE INTERNATIONAL PROBLEM OF TERRORISM, TERRORIST INCIDENTS HAVE DECREASED. SINCE 1984, THE INTELLIGENCE COMMUNITY HAS DEVOTED CONSIDERABLE FINANCIAL AND PERSONNEL RESOURCES TO COLLECTING INFORMATION ON TERRORISTS, ANALYZING THEIR MOTIVES AND MODUS OPERANDI, AND DEVELOPING CLOSE RELATIONSHIPS WITH FRIENDLY GOVERNMENTS SIMILARLY AFFECTED BY THE THREAT. ALL OF THIS HAS ENABLED US TO ACHIEVE IMPORTANT SUCCESSES AGAINST TERRORISTS. TO CITE ONLY ONE EXAMPLE, THE ABU NIDAL ORGANIZATION, ONE OF OUR PRIME TARGETS, HAS BEEN SUBJECTED TO INTENSE PRESSURE, AND ITS FINANCIAL OPERATIONS HAVE BEEN SEVERELY DISRUPTED.

IRONICALLY, THE WEST'S SUCCESSES AGAINST SEVERAL TERRORIST GROUPS MAY MAKE OUR JOB MORE DIFFICULT IN THE FUTURE AS TERRORISTS DEVELOP NEW TACTICS. WHILE TERRORISTS WILL CONTINUE TO RECRUIT FROM THE POOLS OF SEMI-LITERATE, UNEMPLOYED, AND FRUSTRATED, THEY ARE ALSO MOVING TOWARD HIGH TECHNOLOGY -- DEVELOPING SOPHISTICATED DEVICES, USING TIME-DELAY AND REMOTE CONTROL DETONATORS, AND ACQUIRING LIGHT ASSAULT WEAPONS. LIGHT ASSAULT WEAPONS WILL GIVE TERRORISTS A STAND-OFF CAPABILITY TO ATTACK "HARDENED" TARGETS SUCH AS EMBASSIES AND DIPLOMATIC VEHICLES. THEY MAY ALSO TRY TO USE CHEMICAL OR BIOLOGICAL MATERIALS TO TERRORIZE THEIR TARGETS.

## PROLIFERATION OF WEAPONS AND DELIVERY SYSTEMS

THAT TERRORISTS MAY FIND IT POSSIBLE TO OBTAIN CHEMICAL OR BIOLOGICAL MATERIALS POINTS TO ANOTHER ISSUE -- THE PROLIFERATION OF CHEMICAL AND BIOLOGICAL MATERIAL AND THE INCREASING NUMBER OF COUNTRIES WITH THE CAPABILITY TO USE IT. FIFTEEN TO TWENTY COUNTRIES NOW HAVE A CBW CAPABILITY. AND CBW IS ITSELF PART OF A LARGER ISSUE -- THE PROLIFERATION OF WEAPONS AND DELIVERY SYSTEMS.

BOTH NUCLEAR PROLIFERATION AND MISSILE PROLIFERATION WILL BE IMPORTANT IN THE 1990'S. WE CAN EXPECT THE EMERGING TIER OF NEW NUCLEAR POWERS [REDACTED]

25X6

[REDACTED] TO BE MORE OPENLY ACKNOWLEDGED AS NUCLEAR CAPABLE. THERE WILL BE HEIGHTENED INTEREST IN DEVELOPMENT AND POSSIBLE DEPLOYMENT OF ADVANCED NUCLEAR WEAPONS AND DELIVERY SYSTEMS BY THESE COUNTRIES. AT THE SAME TIME, COUNTRIES LIKE LIBYA AND IRAN WILL BE MOVING TOWARD A NUCLEAR WEAPONS CAPABILITY. AND, OF COURSE, AS WE HAVE SEEN RECENTLY, EVEN NON-NUCLEAR STATES SUCH AS SAUDI ARABIA ARE ACQUIRING LONG RANGE MISSILE DELIVERY SYSTEMS THAT CAN CHANGE A REGIONAL STRATEGIC CALCULUS, ESPECIALLY GIVEN THE POTENTIAL TO FIT THESE DELIVERY SYSTEMS WITH OTHER THAN CONVENTIONAL WARHEADS.

25X6

## MONITORING ARMS CONTROL AGREEMENTS

AN ISSUE FOR THE 1990'S WILL BE THE DEVELOPMENT OF COLLECTION STRATEGIES AND CAPABILITIES AS WELL AS ANALYTICAL METHODOLOGIES TO MONITOR THE PROVISIONS OF ARMS CONTROL TREATIES. AN ISSUE WILL BE LOCATING MOBILE MISSILE DEPLOYMENT AREAS, MONITORING CHEMICAL WEAPONS PRODUCTION FACILITIES AND STOCKPILES, AND NUCLEAR TESTING ACTIVITIES.

WHETHER OR NOT WE REACH AN AGREEMENT WITH THE SOVIETS PERMITTING A TRANSITION TO A DEFENSE-DOMINANT STRATEGIC REGIME, SOME RENEGOTIATION OF THE ANTI-BALLISTIC MISSILE TREATY PROBABLY WILL HAVE TO OCCUR IN THE NEXT TEN YEARS. DEVELOPMENTS ON BOTH SIDES IN THE FIELD OF SPACE-BASED SENSORS FOR EARLY WARNING AND FOR COMMAND AND CONTROL OF STRATEGIC SYSTEMS ARE ALREADY PUSHING THE LIMITS OF THE ABM TREATY, AND THESE TRENDS WILL INTENSIFY IN THE FUTURE.

## POSSIBILITY OF GLOBAL RECESSION

THE RECENT TURMOIL IN THE FINANCIAL MARKETS HAS MADE A DOWNTURN MORE LIKELY IN THE NEXT SEVERAL YEARS. BECAUSE OF INCREASED GLOBAL ECONOMIC INTERDEPENDENCE, MANY ECONOMIES WOULD SUFFER DIFFERENTLY FROM THE WAY THEY DID IN THE 1980-82 RECESSION. FOR THE US, A DOWNTURN COULD DRY UP EXPORT MARKETS

AND SOURCES OF FOREIGN CAPITAL. POLITICALLY, IT WOULD MAKE IT MORE DIFFICULT TO FOSTER STRONGER DEMOCRATIC GOVERNMENTS IN THE THIRD WORLD, UPGRADE NATO FORCES, AND ENHANCE COOPERATION OF ECONOMIC AND STRATEGIC ISSUES.

A RECESSION WOULD REALLY HIT COUNTRIES IN THE THIRD WORLD HARD. THE OVERRIDING ECONOMIC PROBLEM OF THE MID-1980'S WAS THIRD WORLD ECONOMIC DEBT. DESPITE PROGRESS FROM THE SITUATION EARLY IN THE DECADE, MOST THIRD WORLD DEBTORS REMAINED IN TROUBLE DURING THE PERIOD AND WERE ABLE TO MANAGE FINANCIALLY ONLY AT THE COST OF WRENCHING AUSTERITY IN THEIR OWN ECONOMIES. A NEW GLOBAL RECESSION WOULD PLACE EXTRAORDINARY PRESSURE ON THIRD WORLD COUNTRIES AND COULD UNDERMINE MANY OF THE NEW THIRD WORLD DEMOCRACIES, LEADING TO A RESURRECTION OF SUPPOSEDLY MORE COMPETENT MILITARY GOVERNMENTS.

IN FACT, THE ECONOMIC CONDITION OF THE GREAT MAJORITY OF THIRD WORLD COUNTRIES IS LIKELY TO WORSEN AS THE REAL PRICE OF MOST COMMODITIES CONTINUES TO DECLINE AND SHOULD A WORLD RECESSION CUT EXPORTS, FURTHER DEPRESSING DOMESTIC PRODUCTION, EMPLOYMENT, AND LIVING CONDITIONS.

#### SHIFT IN ECONOMIC POWER

EVEN WITHOUT A RECESSION, ECONOMIC POWER IS LIKELY TO SHIFT FURTHER TOWARD EAST ASIA AT THE EXPENSE OF WESTERN EUROPE AND



THE UNITED STATES. THIS SHIFT WOULD AFFECT US LEADERSHIP IN BROAD AREAS OF POLITICS, ECONOMICS, AND DEFENSE AND COULD INCREASE US SECURITY VULNERABILITIES AS FOREIGN ACQUISITION OF US ASSETS RISES RAPIDLY AND PRODUCTION AND FINANCE BECOME INCREASINGLY INTERNATIONALIZED. BY THE TURN OF THE CENTURY, IT IS LIKELY THAT EAST ASIA WILL HAVE BECOME THE WORLD'S LARGEST CREDITOR AND TECHNOLOGICAL LEADER, AND ITS COMBINED ECONOMIC OUTPUT WILL HAVE SURPASSED THAT OF THE UNITED STATES.

#### DEVELOPMENTS IN THE SOVIET UNION

LET ME NOW TURN TO DEVELOPMENTS IN THE SOVIET UNION, SO ELOQUENTLY NOTED BY JOHN MCMAHON. WHATEVER MYRIAD OTHER PROBLEMS WILL FACE US, THE SOVIET UNION WILL REMAIN OUR PRINCIPAL CHALLENGE, ESPECIALLY AS IT ENDEAVORS TO REFORM AND MODERNIZE IN AN EFFORT TO SUSTAIN ITS SUPERPOWER ROLE.

THERE IS STRONG SUPPORT IN THE POLITBURO FOR MODERNIZATION OF THE SOVIET ECONOMY. EVEN SO, NEARLY EVERY STEP GORBACHEV SEEKS TO TAKE TOWARD STRUCTURAL ECONOMIC OR POLITICAL CHANGE IS A STRUGGLE, AND SUPPORT IN THE POLITBURO FOR HIS INITIATIVES SHIFTS CONSTANTLY.

BELOW THE POLITBURO, SUPPORT FOR CHANGE -- AND ESPECIALLY FAR-REACHING CHANGE -- IS EVEN SHAKIER. OPPOSITION FROM THE PARTY CENTRAL COMMITTEE AND PARTY APPARATUS IS A CRITICAL

PROBLEM FOR GORBACHEV. SENIOR LEVELS OF THE ECONOMIC BUREAUCRACY STAND TO LOSE THE MOST IF GORBACHEV MOVES TO DECENTRALIZE THE SYSTEM AND ARE IMPORTANT OBSTACLES TO IMPLEMENTATION OF HIS PROGRAM. WHILE MANY SENIOR OFFICIALS OF THE NATIONAL SECURITY BUREAUCRACIES UNDERSTAND THE CONNECTION BETWEEN A STRONG DEFENSE AND A HEALTHY ECONOMY, THEY ALSO ARE UNHAPPY WITH THE IDEA OF GREATER CONSTRAINTS ON DEFENSE SPENDING AND SKEPTICAL OF PROMISED BENEFITS. OTHERS, FOR EXAMPLE THE KGB, ARE CONCERNED ABOUT THE POTENTIAL FOR INSTABILITY AT HOME -- AS IN ARMENIA AND AZERBAIJAN -- AND IN EASTERN EUROPE CREATED BY ANY RELAXATION OF POLITICAL CONTROLS. THE SOVIET POPULATION SEEMS TO BE PASSIVELY SUPPORTIVE, BUT THEY HAVE SEEN CAMPAIGNS FOR CHANGE COME AND GO. THEY ARE SKEPTICAL THAT GORBACHEV'S EFFORTS WILL PRODUCE LASTING RESULTS OR EVEN IMMEDIATE PAYOFFS. THE INTELLIGENTSIA ARE PROBABLY THE ONLY GROUP THAT COMES CLOSE TO GIVING WHOLE-HEARTED SUPPORT.

IN SUM, GORBACHEV STILL VIGOROUSLY SUPPORTS RESTRUCTURING, HAS MADE SOME HEADWAY IN OBTAINING POLITBURO SUPPORT, BUT FACES A LARGELY HOSTILE PARTY AND STATE BUREAUCRACY AND A CONSERVATIVE AND APATHETIC POPULATION. EVERY RUSSIAN AND SOVIET LEADER FROM PETER THE GREAT TO THE PRESENT SEEKING CHANGE OR MODERNIZATION HAS FACED FORMIDABLE OPPOSITION. BUT, UNLIKE THEM, GORBACHEV REALISTICALLY CANNOT RESORT TO WIDE-SCALE TERROR AND VIOLENCE TO ELIMINATE THOSE WHO STAND IN

SECRET

HIS WAY. HE MUST REPLY ON A LONG TERM, LARGELY NON-VIOLENT PURGE OF PARTY AND BUREAUCRACY AND PLACEMENT OF HIS SUPPORTERS IF HE IS TO REMAIN IN POWER AND TO SUCCEED AT ALL. THE CENTRAL QUESTION IS WHETHER HE WILL GET ENOUGH TIME.

TAKEN AS A WHOLE, THE REFORM MEASURES PUT IN PLACE IN GORBACHEV'S TWO AND A HALF YEAR TENURE ARE AN IMPRESSIVE PACKAGE THAT IN SCOPE AND SPECIFICITY GOES WELL BEYOND THE SO-CALLED KOSYGIN REFORMS ADOPTED IN 1965. NEVERTHELESS, BECAUSE OF INTERNAL CONTRADICTIONS AND THE RETENTION OF SO MANY ELEMENTS OF THE PRESENT SYSTEM, THE REFORMS HAVE YET TO BE IMPLEMENTED. AND EVEN IN THE UNLIKELY EVENT THEY ARE FULLY IN PLACE IN 1991 AS INTENDED, THEY WILL NOT CREATE THE DYNAMIC ECONOMIC MECHANISM THAT GORBACHEV SEEKS AS THE MEANS TO REDUCE OR CLOSE THE TECHNOLOGICAL GAP WITH THE WEST. INSTEAD, THEY SPELL TROUBLE FOR HIS ECONOMIC PROGRAM GENERALLY. INDEED, AGGRESSIVE IMPLEMENTATION OF REFORMS IS CAUSING SERIOUS DISRUPTIONS AND TURBULENCE IN THE ECONOMY AND WILL CAUSE MORE AS THE BUREAUCRATIC FACTIONS ATTEMPT TO ADJUST TO THE MANY CHANGES BEING IMPOSED FROM ABOVE. SPECIFICALLY:

-- GORBACHEV'S QUALITY CONTROL PROGRAM IS DISRUPTING PRODUCTION.

SECRET

- NEW INITIATIVES IN ORGANIZATION AND MANAGEMENT ARE CREATING CONFUSION AND APPREHENSION IN SOME QUARTERS, AND BUREAUCRATIC FOOT-DRAGGING AND OUTRIGHT RESISTANCE IN OTHERS.
- DESPITE CONSIDERABLE RHETORIC, NONE OF THE PROPOSALS SO FAR GREATLY CHANGES THE SYSTEM OF ECONOMIC INCENTIVES THAT DISCOURAGE MANAGEMENT INNOVATION AND TECHNOLOGICAL CHANGE.
- A SHARP DECLINE IN SOVIET HARD CURRENCY EARNINGS (THE RESULT OF FALLING OIL PRICES AND THE DEPRECIATION OF THE DOLLAR) WILL LIMIT MUCH NEEDED SPECIALIZED IMPORTS FROM THE WEST.
- FINALLY, FOR A MODERNIZATION DRIVE THAT DEPENDS IN SUBSTANTIAL MEASURE ON HARDER WORK, THERE ARE FEW REWARDS FOR SUCH WORK. UNSATISFIED CONSUMER DEMAND IS REFLECTED IN CONTINUED LONG LINES IN STATE STORES AND RISING PRICES IN THE COLLECTIVE FARM MARKETS.  
(STORY-CAR, FEB. 9, 1994)

THUS, WHILE IMPORTANT BATTLES HAVE BEEN WON IN PRINCIPLE, THE WAR TO CHANGE FUNDAMENTALLY THE MAIN PILLARS OF THE STALINIST ECONOMIC SYSTEM MUST STILL BE FOUGHT AND WON.

GORBACHEV'S PLANS FOR THE POLITICAL SYSTEM REMAIN LESS WELL-DEFINED THAN HIS ECONOMIC AGENDA. BUT HE AND HIS ALLIES HAVE SHOWN A GROWING CONVICTION THAT THE REVITALIZATION OF SOCIETY AND ECONOMY CAN SUCCEED ONLY IF THERE ARE SIGNIFICANT CHANGES IN THE POLITICAL ARENA AS WELL. THE REGIME APPEARS TO BE MOVING ON AT LEAST THREE FRONTS TO CREATE THE POLITICAL CLIMATE IT SEEKS:

-- THE FIRST IS IDEOLOGY. GORBACHEV IS FRUSTRATED WITH THE STRAITJACKET OF INHERITED DOCTRINE THAT OPPONENTS OF CHANGE HAVE SOUGHT TO IMPOSE ON HIM. HE SEEKS TO EXPAND HIS ROOM TO MANEUVER BY AN INCREASINGLY OPEN ATTACK ON STAGNATION IN IDEOLOGY AND BY DEPICTING HIS OWN PROPOSALS AS AN EFFORT TO RETURN TO LENIN'S ORIGINAL INTENT.

-- THE SECOND FRONT IS DEMOCRATIZATION. GORBACHEV'S CAMPAIGN FOR "DEMOCRATIZATION" IS DESIGNED TO REVITALIZE THE COUNTRY'S POLITICAL INSTITUTIONS. MOST OF THIS IS RHETORIC; THERE HAVE BEEN ONLY A FEW EXPERIMENTS ALONG THESE LINES, AND IN RECENT MONTHS EVEN GORBACHEV HAS BACKED AWAY FROM SOME OF THE MORE CONTROVERSIAL ASPECTS OF HIS "DEMOCRATIZATION" CAMPAIGN.

-- THE THIRD FRONT IS GLASNOST, OR OPENNESS. I SEE SEVERAL MOTIVES BEHIND GLASNOST, NOT LEAST OF WHICH IS USE OF AN APPARENT LIBERALIZING FORCE TO ACHIEVE SOME RATHER OLD-FASHIONED OBJECTIVES.

- GLASNOST IS BEING USED TO CRITICIZE OFFICIALS GORBACHEV SEES AS HOSTILE AND TO PRESSURE THEM TO GET WITH THE PROGRAM.
- IT IS BEING USED TO HIGHLIGHT PROBLEMS HE WANTS TO ATTACK -- SUCH AS ALCOHOLISM AND DRUG ABUSE -- IN ORDER TO MOBILIZE SOCIETY BEHIND HIS CAMPAIGNS.
- HE HOPES TO USE THE ATMOSPHERE OF GREATER OPENNESS TO COOPT INTELLECTUALS AND PARTICULARLY ENGINEERS AND SCIENTISTS TO BE FULL PARTNERS IN THE ATTEMPT TO MODERNIZE THE ECONOMY -- TO OVERCOME THEIR CYNICISM.
- IT ENABLES THE REGIME TO COMPETE WITH FOREIGN AND OTHER UNOFFICIAL SOURCES OF INFORMATION. SINCE THE POPULATION WILL HEAR ABOUT RIOTING IN KAZAKHSTAN AND THE DISASTER AT CHERNOBYL ANYWAY, GORBACHEV BELIEVES IT IS BEST TO PRINT THE NEWS AND PUT AN OFFICIAL SPIN ON IT.

- FINALLY, HE INTENDS TO LEGITIMIZE BROADER DISCUSSION OF PROBLEMS AND POSSIBLE SOLUTIONS THAN PERMITTED HERETOFORE IN ORDER TO BREAK THE BACK OF DOMESTIC RESISTANCE AND INCREASE HIS ROOM FOR MANEUVER AT HOME. FURTHER, HE SEES THE EXPANSION OF POLITICAL DEBATE AS A NECESSARY STEP TO ACHIEVE HIS LONGER RANGE GOALS.

TO KEEP GLASNOST IN PERSPECTIVE, THERE HAS BEEN A MORE OPEN AIRING OF PROBLEMS, BUT ONLY A VERY LIMITED EXPANSION OF POLITICAL DEBATE. EVEN THIS HAS LED TO CONTROVERSY OVER THE POLICY ITSELF AND OPEN CRITICISM BY OTHERS IN THE POLITBURO THAT "OPENNESS" HAS GONE TOO FAR.

WHILE GORBACHEV'S BOLD POLITICAL MOVES AND RADICAL RHETORIC HAVE SHAKEN THE SOVIET SYSTEM, HE HAS NOT YET CHANGED IT. THE REGIME'S ACTUAL REFORM INITIATIVES HAVE SO FAR BEEN CAREFULLY CIRCUMSCRIBED TO INSURE THAT THEY DO NOT DEPART TOO BOLDLY FROM EXISTING APPROACHES. BUREAUCRATIC AS WELL AS POPULAR HOSTILITY IS LIKELY TO GROW AS DISRUPTION AND DISLOCATION BROUGHT ABOUT BY CHANGE RESULT IN ECONOMIC SETBACKS AND, IN ALL LIKELIHOOD, A WORSENING SITUATION FOR THE CONSUMER.

MODERNIZATION AND FOREIGN POLICY

THERE SEEMS TO BE GENERAL AGREEMENT IN THE POLITBURO THAT, FOR NOW, ECONOMIC MODERNIZATION REQUIRES A MORE PREDICTABLE, IF NOT BENIGN, INTERNATIONAL ENVIRONMENT. THE ELEMENTS OF FOREIGN POLICY THAT SPRING FROM DOMESTIC ECONOMIC WEAKNESS ARE A MIX OF NEW INITIATIVES AND LONGSTANDING POLICIES. FIRST, GORBACHEV WANTS TO ESTABLISH A NEW AND FAR-REACHING DETENTE FOR THE FORESEEABLE FUTURE TO OBTAIN TECHNOLOGY, INVESTMENT, TRADE AND, ABOVE ALL, TO AVOID MAJOR NEW MILITARY EXPENDITURES WHILE THE SOVIET ECONOMY IS REVIVED. GORBACHEV MUST SLOW OR STOP AMERICAN MILITARY MODERNIZATION, ESPECIALLY SDI, THAT THREATENS NOT ONLY SOVIET STRATEGIC GAINS OF THE LAST GENERATION BUT WHICH ALSO, IF CONTINUED, WILL FORCE THE USSR TO DEVOTE HUGE NEW RESOURCES TO THE MILITARY IN A HIGH TECHNOLOGY COMPETITION FOR WHICH THEY ARE ILL-EQUIPPED. THE SOVIETS KNOW THAT DETENTE IN THE EARLY 1970S CONTRIBUTED SIGNIFICANTLY TO DOWNWARD PRESSURE ON WESTERN DEFENSE BUDGETS, SLOWED MILITARY MODERNIZATION, WEAKENED RESOLVE TO COUNTER SOVIET ADVANCES IN THE THIRD WORLD, AND OPENED TO THE USSR NEW OPPORTUNITIES FOR WESTERN TECHNOLOGY AND ECONOMIC RELATIONS.

SECOND, A LESS VISIBLE BUT ENDURING ELEMENT OF FOREIGN POLICY -- EVEN UNDER GORBACHEV -- IS THE CONTINUING EXTRAORDINARY SCOPE AND SWEEP OF SOVIET MILITARY MODERNIZATION



AND WEAPONS RESEARCH AND DEVELOPMENT. DESPITE SOVIET RHETORIC, WE STILL SEE NO LESSENING OF THEIR WEAPONS PRODUCTION. AND, FURTHER, SOVIET RESEARCH ON NEW, EXOTIC WEAPONS SUCH AS LASERS, STEALTH, AND THEIR OWN VERSION OF SDI CONTINUES APACE. VIRTUALLY ALL OF THEIR PRINCIPAL STRATEGIC WEAPONS WILL BE REPLACED WITH NEW, MORE SOPHISTICATED SYSTEMS BY THE MID-1990S, AND A NEW STRATEGIC BOMBER IS BEING ADDED TO THEIR ARSENAL FOR THE FIRST TIME IN DECADES. THEIR DEFENSES AGAINST US WEAPONS ARE BEING STEADILY IMPROVED, AS ARE THEIR CAPABILITIES FOR WAR-FIGHTING. AS OUR DEFENSE BUDGET DECLINES AGAIN, THEIRS CONTINUES TO GROW, ALBEIT SLOWLY.

THE THIRD ELEMENT OF GORBACHEV'S FOREIGN POLICY IS CONTINUED AGGRESSIVE PURSUIT OF SOVIET OBJECTIVES AND PROTECTION OF SOVIET CLIENTS IN THE THIRD WORLD. UNDER GORBACHEV, THE SOVIETS AND CUBANS ARE NOW PROVIDING MORE THAN A BILLION DOLLARS A YEAR IN ECONOMIC AND MILITARY ASSISTANCE TO NICARAGUA; MORE THAN A BILLION DOLLARS WORTH OF MILITARY EQUIPMENT WAS SENT TO VIETNAM, LAOS AND CAMBODIA IN THE FIRST SIX MONTHS OF LAST YEAR; MORE THAN FOUR BILLION DOLLARS IN MILITARY EQUIPMENT HAS BEEN SENT TO ANGOLA SINCE 1984. AND, OF COURSE, CUBA GETS ABOUT FIVE BILLION DOLLARS IN SOVIET SUPPORT EACH YEAR. AT A TIME OF ECONOMIC STRESS AT HOME, THESE COMMITMENTS SPEAK CLEARLY ABOUT SOVIET PRIORITIES.

THE FOURTH ELEMENT OF GORBACHEV'S FOREIGN POLICY IS NEW AND DYNAMIC DIPLOMATIC INITIATIVES TO WEAKEN TIES BETWEEN THE US AND ITS WESTERN ALLIES, CHINA, JAPAN, AND THE THIRD WORLD; TO PORTRAY THE SOVIET GOVERNMENT AS COMMITTED TO ARMS CONTROL AND PEACE; AND TO CONVEY MOSCOW'S INTEREST IN DIPLOMATIC SOLUTIONS TO THIRD WORLD PROBLEMS. WE CAN AND SHOULD EXPECT NEW AND BOLDER INITIATIVES INCLUDING CONVENTIONAL FORCE REDUCTIONS -- POSSIBLY UNILATERAL -- THAT WILL SEVERELY TEST ALLIANCE COHESION. SIMILARLY, NEW INITIATIVES WITH CHINA AND JAPAN WILL BE ATTEMPTED TO OVERCOME BILATERAL OBSTACLES TO IMPROVED RELATIONS AND TO EXPLOIT PROBLEMS BETWEEN THEM AND THE US. AND, IN THE THIRD WORLD, THEY WILL SEEK TO TAKE ADVANTAGE OF ANY RELAXATION OF US VIGILANCE OR CONSTANCY.

THESE NEW INITIATIVES ALSO ARE INTENDED TO BREAK SOVIET FOREIGN POLICY OUT OF LONGSTANDING TACTICAL DEADENDS AND TO MAKE THE SOVIET UNION A MORE EFFECTIVE, FLEXIBLE AND VIGOROUS PLAYER THROUGHOUT THE WORLD. THE WITHDRAWAL FROM AFGHANISTAN IS SUCH AN INITIATIVE. THE RESULT OF GORBACHEV'S "NEW THINKING" IN FOREIGN POLICY IS LIKELY TO BE A SOVIET POLITICAL CHALLENGE TO THE US ABROAD THAT COULD POSE GREATER PROBLEMS FOR OUR INTERNATIONAL POSITION, ALLIANCES AND RELATIONSHIPS IN THE FUTURE THAN THE HERETOFORE ONE DIMENSIONAL SOVIET MILITARY CHALLENGE. CONSIDERABLE NEW THINKING, FLEXIBILITY AND POLITICAL AGILITY WILL BE NEEDED ON OUR OWN PART TO ANTICIPATE AND COUNTER SOVIET INITIATIVES AND TO AVOID BEING OUTMANEUVERED AND PLACED CONSISTENTLY ON THE DEFENSIVE.

THERE IS A NEW DYNAMIC AT WORK INSIDE THE SOVIET UNION AND IN SOVIET DIPLOMACY. WHILE ACTUAL CHANGES IN THE ECONOMY OR POLITICAL LIFE OF THE SOVIET UNION SO FAR HAVE BEEN MODEST, WHAT GORBACHEV ALREADY HAS SET IN MOTION REPRESENTS A POLITICAL EARTHQUAKE. ONE CANNOT, IT SEEMS TO ME, DISMISS WHAT HE IS SAYING OR ATTEMPTING AS SIMPLY NOISE OR MORE OF THE SAME, BETTER PACKAGED. HE IS PULLING ALL OF THE LEVERS OF CHANGE IN A SOCIETY AND CULTURE THAT HISTORICALLY HAS RESISTED CHANGE -- AND WHERE CHANGE USUALLY HAS BEEN VIOLENT AND WRENCHING. THE FORCES HE HAS UNLEASHED ARE POWERFUL BUT SO ARE THE PEOPLE AND INSTITUTIONS HE HAS ANTAGONIZED -- THUS SETTING IN MOTION A TREMENDOUS POWER STRUGGLE AND PURGE NO LESS DRAMATIC FOR THE ABSENCE OF SHOW TRIALS AND TERROR.

ENDURING CHARACTERISTICS OF SOVIET GOVERNANCE AT HOME AND POLICY ABROAD MAKE IT CLEAR THAT -- WHILE THE CHANGES UNDERWAY OFFER OPPORTUNITIES FOR THE UNITED STATES AND FOR A RELAXATION OF TENSIONS -- GORBACHEV INTENDS IMPROVED SOVIET ECONOMIC PERFORMANCE, GREATER POLITICAL VITALITY AT HOME, AND MORE DYNAMIC DIPLOMACY TO MAKE THE USSR A MORE COMPETITIVE AND STRONGER ADVERSARY IN THE YEARS AHEAD. AMERICANS MUST NOT MISLEAD OURSELVES OR ALLOW OURSELVES TO BE MISLED INTO BELIEVING OTHERWISE. PREVENTING THIS WILL BE THE SPECIAL RESPONSIBILITY OF THE INTELLIGENCE COMMUNITY.

SECRET

## IMPLICATIONS FOR INTELLIGENCE

WHAT ARE THE IMPLICATIONS OF ALL THESE CHALLENGES FOR INTELLIGENCE? THERE ARE SEVERAL. FIRST, POLICYMAKERS WILL BECOME MORE DEPENDENT ON OUR ASSESSMENTS AS THE ISSUES AFFECTING POLICY BECOME MORE COMPLEX, INTERRELATED, AND SOMETIMES -- AS IN THE SOVIET CASE -- OFTEN CONFUSING. THE TRANSNATIONAL ISSUES -- DEBT, NARCOTICS, NUCLEAR PROLIFERATION, STRATEGIC DEVELOPMENTS, THE INTERNATIONAL ARMS MARKET -- CALL FOR ECONOMIC AND TECHNICAL EXPERTISE AND AN UNDERSTANDING OF STRUCTURAL CHANGE IN WORLD ECONOMY. IN PROVIDING THE NECESSARY EXPERTISE, INTELLIGENCE WILL BECOME A MORE IMPORTANT PART OF THE POLICYMAKING PROCESS ITSELF.

## CONCLUSION

OUR INFORMATION ACQUISITION CAPABILITY IS EXPONENTIALLY INCREASING. THE IMPACT TECHNOLOGICAL INNOVATION HAS HAD ON OUR ABILITY TO PROVIDE POLICYMAKERS WITH USEFUL, TIMELY INTELLIGENCE ON GLOBAL AND REGIONAL DEVELOPMENTS IS REMARKABLE. HOWEVER, IT IS CLEAR THAT WE WILL REQUIRE FURTHER TECHNOLOGICAL DEVELOPMENTS TO KEEP PACE WITH THE COMPLEXITIES OF TOMORROW'S WORLD. TECHNOLOGICAL CHANGE WILL DRIVE BOTH OUR ALLOCATION OF RESOURCES AND OUR COLLECTION EFFORTS. AND, SOMEHOW, WE MUST FIND THE RESOURCES FOR INVESTMENT IN FUTURE

CAPABILITIES. REMARKABLE NEW COLLECTION CAPABILITIES COMING ON LINE ARE THE RESULT OF INVESTMENTS BEGUN 5-10 YEARS AGO. WITHOUT SIMILAR NEW INVESTMENTS IN THE NEAR TERM, WE FACE A BLEAK FUTURE. SO IT IS INDEED ESPECIALLY IMPORTANT THAT YOU IN SASA ARE HERE TODAY TO HELP US ANTICIPATE AND PREPARE FOR A RAPIDLY APPROACHING FUTURE BY EXPLORING AND ADDRESSING THE SHORTFALLS OF THE 1990S.